

LRAP Excerpt from Virginia Legal Aid Society Personnel Policy

March 10, 2004

XV. LOAN REPAYMENT ASSISTANCE PLAN (LRAP)

The Board of Directors has approved a loan repayment assistance plan for attorneys with substantial law school loans. Each year the Budget Committee will determine the amount to fund the LRAP, in connection with the annual budget process. These funds will then be allocated to the attorneys who request to participate based on an equitable formula.

A. Purpose

In adopting the following plan, the Board of Directors of the Virginia Legal Aid Society seeks to improve the ability of VLAS to attract and retain attorneys of ability and commitment who are deterred from applying to, or remaining in legal services by the burden of their law school loans. Assistance to these employees in meeting these educational debts is likely to increase the attractiveness of employment with VLAS, increase longevity and reduce turnover, and thus increase the level of experience and skill available to effectively represent clients.

Under the plan, attorneys and law graduates will receive loans during the first five years of employment for use toward educational debt payments. At the end of five years of VLAS employment, these employees will begin to receive direct grants instead of loans, and loans will be gradually forgiven.

The Board recognizes that the assistance provided in this plan will often not be adequate to meet an employee's financial needs in paying debts. The Board believes that adoption of this plan will assist in the accomplishment of its stated goals, however, and seeks continued comment and assistance from staff, board members, the private bar, and the community at large in improving the operation and impact of this plan.

B. Annual Cost and Financing

Each year in preparing the annual budget of Virginia Legal Aid Society, the Executive Director and Director of Administration will recommend an amount to be devoted to the operation of this plan, sufficient to assist each employee expected to participate by no more than \$200 per month after the employee has contributed a monthly co-payment of \$50. The amount will be funded from the same sources used to support all of VLAS' personnel expenses: the income received from all operating fund sources each year which are not restricted from a use such as this. The Board of Directors, in approving the annual budget, will approve or amend the amount recommended by staff. The Board recognizes that this amount may vary from year to year, depending on the program's expected income and other expenses, and may in some years be zero while in other years be a significant amount.

To supplement the revenue available for this program, the executive

director and development coordinator will also seek funding, pursuant to the VLAS Fundraising Plan and board approval, from private foundations, attorney donations, and other likely sources.

C. Eligibility

All VLAS attorneys and law graduates hired for attorney positions are eligible to participate in this plan following the completion of their first six months of employment, and may continue to receive benefits until they have tendered notice of their resignation or have been notified of their termination. Debts for the cost of law school attendance are eligible for assistance, and payments will be made by VLAS to the employee.

Employees will be required to take advantage of any loan reimbursement programs offered by their schools or other programs available to them, and to notify VLAS of the existence of such programs, before applying for assistance under this plan.

D. Operation

Any eligible VLAS employee may elect to participate in the plan, and shall be eligible to receive assistance for any fiscal year in which the board has allocated funds to the plan. Every such employee must contribute a copayment of \$50 per month to the cost of the tuition or loan payment.

The director of administration will ask all potentially eligible advocates each year in April to submit an Intent to Participate form if interested in a current year distribution. Each staff member desiring to participate in the plan shall, prior to May 1 of each year, notify the Director of Administration of his or her intention to participate. He or she shall also provide the total debt owed or expected to be owed, monthly payment where established, amount of VLAS assistance desired up to \$200 per month, and obligee, including address and telephone and account number, for any educational loans, debts, or expenses for which the employee seeks assistance under this plan. The director of administration will review all documentation and prepare the distribution by mid-June.

E. Calculation of Assistance Amount

The Director of Administration shall establish the total amount for which aid is requested for the year by:

- deducting a \$50 per month copayment from the amount of the monthly or one-time payment owed by the employee;
- calculating the amount that VLAS would be called upon to pay for each employee, up to a maximum of \$200 per month, over the twelve-month period for which assistance is sought; and
- adding the total to be paid for all employees.

EXAMPLE:

EMPLOYEE 1: Henrietta has loan payments of \$300 per month, due each month of the coming year. After deducting a copayment of \$50, VLAS would be called upon to pay \$200 per month, the maximum amount, or \$2400 for the year. Henrietta would pay the \$50 copayment, plus the remaining unfunded \$50, for a personal monthly payment of \$100.

EMPLOYEE 2: Andrea has loan payments of \$150 per month. After deducting a copayment of \$50, VLAS would be called upon to pay \$100 per month, or \$1200 per year. Andrea would have a personal monthly payment of \$50.

The total annual payments for VLAS in the above examples would be \$2400 + \$1200, or \$3600.

In the event that the board had set aside \$3600 or more for the plan in the fiscal year, VLAS would be able to pay the maximum amount payable under the plan, or up to \$200 per month per person. If the board had set aside a lesser amount, the Director of Administration would divide the amount available by the total amount of assistance requested, and apply that percentage to the amount of assistance requested by each employee to develop the amount which VLAS will actually pay for each employee: if the board had allocated \$1800 for the plan in this example, the amount available (\$1800) would be 50% of the amount requested (\$3600). VLAS would therefore pay 50%, or \$100, of the \$200 per month requested by Henrietta, and 50%, or \$50, of the \$100 per month requested by Andrea.

F. Payment

The Director of Administration will then notify each participating employee of the amount and schedule on which VLAS will pay, obtain the employee's signed agreement to repay any amounts paid with interest according to the loan forgiveness aspects of the plan, below, and begin payment to the employee.

G. Loan and Forgiveness

During an employee's first five years of employment with VLAS, any assistance given by VLAS under this plan will be in the form of loans at commercially reasonable interest rates to be determined as the interest rate earned by VLAS on the last bank statement before the loan is created. The loans and accrued interest will be gradually forgiven during years five to eleven of the employee's employment with VLAS, according to the schedule below. VLAS will pursue repayment of the loans if the employee departs from VLAS employment for any reason prior to the loans' full forgiveness or repayment. Assistance given during years six to eleven of employment, and in any years after, would be considered grants for which no repayment obligation exists.

If the educational debt is fully paid, or the employee elects to receive no further assistance from this plan, within the employee's first five years of VLAS employment, the forgiveness schedule will begin one year after the employee has ceased receiving assistance.

Death or serious disability causing termination from employment occurring to an employee shall be cause for forgiveness of outstanding loans under this program.

A copy of all the LRAP procedures is available from the director of administration.

Year of Employment	Benefit
1	Loan
2	Loan
3	Loan
4	Loan
5	Loan, plus 1/2 of Year 1 loan forgiven
6	Grant, plus 1/2 of Year 1 loan forgiven
7	Grant, plus 1/2 of Year 2 loan forgiven
8	Grant, plus 1/2 of Year 2 loan forgiven
9	Grant, plus Year 3 loan forgiven
10	Grant, plus Year 4 loan forgiven
11	Grant, plus Year 5 loan forgiven
12 and after	Grant

H. Taxation

Under current law, forgiveness of a loan generally results in taxable income to the student or former student at the time that the loan is forgiven. VLAS will withhold income and social security taxes from an employee's paycheck in each year that a loan amount is forgiven, pay the employer share of social security taxes at that time, and report the income and withholding to the IRS on Form W-2.